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April 9, 2007

Bob Howatt
Docket Manager for 06-241
Delaware Public Service Commission
861 Silver Lake Blvd.
Cannon Building, Suite 100
Dover DE 19904

RE: mncoalgasplant.com Comment on Request for Proposals
Delaware PSC Docket 06-241

Dear Mr. Howatt:

Enclosed please find Comment of mncoalgasplant.com in the above-entitled matter.

mncoalgasplant.com is an Intervenor in the Minnesota Public Utilities Commission docket for Excelsior Energy's Mesaba Project's Power Purchase Agreement, an IGCC coal gasification plant proposed in Taconite, Minnesota. Because the Excelsior project is the first proposed IGCC project out of the chute, the information learned, the record developed, should be reviewed, compared and considered by other jurisdictions. From the Delmarva and Independent Consultant reports, your state's analysts have come to much the same conclusion as those in Minnesota. However, the process problems in this RFP docket could put any decision at risk.

COMMENTS REGARDING PROCESS

mncoalgasplant.com endorses and adopts the positions and comments of Green Delaware[1] in the RFP docket, and of Alan Muller in the IRP docket, as if fully related here.

RFP is inappropriately timed prior to an Integrated Resource Planning determination. Integrated Resource Planning, Request for Proposals, Supply Side and DSM dockets must be INTEGRATED.

Delaware has a history of Integrated Resource Planning, which was sidetracked in the ill-advised headlong rush to deregulate. However, there is no apparent express statutory basis for elimination of IRP, despite extinction of DSM with deregulation. Integrated Resource Planning is a means of broad thorough review of energy needs in a holistic manner. Unfortunately, this is not happening in Delaware. There are

[1] Green Delaware (www.greendel.org) filings and pleadings at PSC's RFP site: http://depsc.delaware.gov/irp.shtml and IRP site: http://depsc.delaware.gov/dplirp.shtml

four separate dockets, the RFP, IRP, DSM and Supply Side, which are all discrete parts of "integrated planning" and separation of which prevents understanding of the interconnectedness of our energy system, needs and solutions. These dockets should be INTEGRATED into the Integrated Resource Plan to assure consideration of all of these intertwined factors. Without an integrated review, there's no Integrated Resource Plan.

Minnesota's Integrated Resource Plan is an example -- an intense and thorough process with many stakeholders. All utilities in Minnesota must submit an Integrated Resource Plan. Minnesota's largest utility has a load approximately 2.5 times that of DPL, and the smaller ones are even smaller than DPL. The IRP process is a contested case proceeding with many Intervenors and interested parties, and proposals and direction are heavily scrutinized.

In looking for Delaware experience with IRP, I found an interview by Regulatory Assistance Project, the PSC's Bob Howatt noted that rules addressing the statutory change of House Bill 6 were expected in spring of 2007[2] – yet this RFP and the IRP are moving forward without those rules. In that interview, Mr. Howatt noted requirements "to prepare distribution reliability and load plans," but that there was little Commission oversight, and that there was reliance on PJM for reliability, load and economic planning for transmission. PJM DOES NOT REPRESENT THE PUBLIC INTEREST – it represents the interests of its corporate members whose purpose is to profit from electric generation, transmission and distribution, often to Delaware customers' detriment. Resource planning and review of specific proposals, particularly those with a long-term economic impact/commitment, is an area that requires conscious Commission review and direction. The state must not abdicate its responsibilities. Rulemaking is necessary to proceed.

How to proceed – an example from another jurisdiction

A rulemaking is necessary for this RFP/IRP process to go forward with integrity. I offer Minnesota's Rules for consideration:

UTILITY RESOURCE PLANNING PROCESS

7843.0100	Definitions.
7843.0200	Purpose and scope.
7843.0300	Filing requirements and procedures.
7843.0400	Contents of resource plan filings.
7843.0500	Commission review of resource plans.
7843.0600	Relationship to other commission processes.

In the case at hand, the order of RFP and IRP is skewed. Minnesota is in much the same position as Delaware, in that generation additions are being considered where there has been no demonstration of need for power, and in fact, the electricity is not needed. Rather than issue an RFP on the basis of a finding by the PSC that there is need for the power, Delaware's RFP was legislatively mandated, as was the Power Purchase Agreement, with conditions, in Minnesota.. This puts the cart before the horse, and is no way to determine investments in utility infrastructure that will shape energy policy for the 50+ year

[2] Electric Resource Long-range Planning Survey, Regulatory Assistance Project, April 19, 2006 http://www.raponline.org/Pubs/IRPsurvey/DelawareTDsurvey.pdf

expected life of the infrastructure in question. Policy must be established first, and rational, reasonable and prudent choices of investment in electric generation may then follow, consistent with the plan.[3]

Due process is falling by the wayside

Due process and assurances of a reasonable and prudent result demand that this be an open process, but unfortunately, it is not. Nationwide, there is a trend of limitation of the public's role, evidenced in this docket in the lack of meaningful participation options in this RFP. The Staff's notion that "the public is not a stakeholder" shows how far the agency has departed from its name and purpose – it is, after all, the **PUBLIC** Service Commission, and the agency is charged with protecting the public interest and ratepayer interest. At this time, there are no Intervenors, no Discovery is available to inform the record, and there is no plan for evidentiary hearings.

A contested case is needed

This docket should be handled as a contested case, as the Mesaba Project docket is in Minnesota, or as it is handled in the limited participatory opportunity (thus far) of Delaware's IRP. As it is, there is little opportunity for public participation in the RFP and there is NO opportunity to submit information requests, build a record, or challenge proposer assertions. Parties must be allowed to Intervene with all rights of a party and typical contested case process should be adhered to – this is the only way to inform the record, and it is the only way to develop a record that would support ANY decision by the PSC. Without a contested case, without a record, any decision the PSC would make has a heightened probability of successful challenge.

Secrecy and failure to disclose is unacceptable

The level of secrecy in this proceeding is without basis, and is part of a visible nationwide trend to suppress access to information regarding the cost of coal gasification (IGCC) plants.[4] Redaction of information freely and publicly available in other jurisdictions, and accessible on the internet, is inexcusable – it must be disclosed. Where this public information is not disclosed, the public can only assume that if the information were public, it would be outrageous and the proposal would be rejected.[5] In Minnesota, after Intervenor Motions, the information was released, all but "three numbers" including EPC cost and operations and maintenance estimates. This information is publicly available from other sources, including EPRI and through DOE FOIA requests, and should also be made public.

The capital cost of the 600 MW Mesaba Project is public, found in the DOE Financing Award executed in May of 2006:

600MW of IGCC = $2,155,680,783 or $3,593/kW

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[3] Thankfully, in Minnesota, the IRP was completed before Excelsior's Mesaba Project IGCC docket, and the IRP Order held that only 375MW was needed and not until 2015, and the utility will be meeting that need with a dispatchable combination of wind and hydro. Excelsior's 600MW of IGCC in 2011 is not consistent with the IRP Order. For the full IRP docket, go to www.puc.state.mn.us and then "eDockets" then "Search Documents" and then search for 04-1752. The July 28, 2006 Order, attached, contains the Finding of Need for 375MW in 2015. The RFP resulting from the IRP Order may be accessed by searching, as above, for docket 06-1518.

[4] See e.g., Joint Motion for Protection of Confidential and Proprietary Information, Joint Petition and Application of PIS Energy, Indiana Utility Regulatory Commission Cause 43114.
http://www.in.gov/iurc/portal/Tab.aspx?tabid=28&dn=SEARCHDOCKETEDCASE and search for docket 43114 and click on "43114-NONE" and scroll down.

[5] The record of the Mesaba Project can be found at www.puc.state.mn.us and go to "eDockets" and then to "Search Documents" and then search for docket 05-1993. Most of this information is also available at http://www.mncoalgasplant.com/ppa.html .

There is no rational reason that the gross capitol cost of the plant and the /kW cost should be withheld in this RFP docket. NRG must disclose costs – in submitting a proposal, the company is asking the ratepayers and public (because IGCC cannot be built without massive public subsidies) to foot the bill. Those being asked to pay must know the price – how else can a reasonable and supportable decision be made?

A rulemaking proceeding is needed for RFP and IRP.

Process issues abound in this RFP docket, and also in the IRP docket. In the IRP docket, the Commission has essentially asked for direction as to how to proceed, demonstrating the lack of rules and established procedures. In an interview with the Regulatory Assistance Project regarding planning, Mr. Howatt stated that rules were expected in the spring of 2007. Yet, there are no rules, and despite this obvious problem, the RFP and IRP are proceeding. It is not reasonable to expect to have a decision based on evidence, based on the record, and supportable if there is no clear process, an insufficient record, and if there is no established avenue for public participation. If this is not initiated by the Commission, it is incumbent on public stakeholders to Petition the PSC for rulemaking and see that process through.

COMMENTS REGARDING IGCC PROPOSAL

IGCC IS COST PROHIBITIVE UNDER ANY SCENARIO AND MUST BE REJECTED

Mesaba Project cost analysis by Minnesota Dept. of Commerce, Dr. Elion Amit, is almost entirely public information, and available on-line.[6] I'd assume that the NRG proposal information is similar until demonstrated otherwise:

From MN Dept. of Commerce analysis:

All levelized costs:

	/c emissions /s xmsn	Xmsn $/MWh	Cost /c Xmsn	Sequestration $/MWH	TOTAL $/MWh
West 603MW	96.04	9.21	105.25	50.02	155.27
East 598MW	104.91	9.21	114.12	50.02	164.14
West 450MW	120.87	9.21	130.08	50.02	180.10
East 450MW	130.76	9.21	139.97	50.02	189.99

600MW of IGCC = $2,155,680,783 or $3,593/kW

[6] Rebuttal Testimony, Dr. Elion Amit, http://www.mncoalgasplant.com/puc/05-1993%20pub%20rebuttal.pdf

Emissions Profile of IGCC is NOT what it's cracked up to be

The Minnesota Pollution Control Agency analysis found that coal gasification (IGCC) is not markedly improved over other coal generation options with regard to air emissions. The NRG emissions information must be made public and must also be compared against the MPCA analysis.[7]

Delaware is home to one of the most polluting coal plants in the country, and NRG is the owner. The full economic impact of using coal, whether it be pulverized or IGCC generation, must be addressed in an RFP docket. Health impacts are astronomical, and well documented.[8]

CO2 Capture and Storage is NOT feasible or seriously contemplated

NRG has no intent to capture and store carbon dioxide – there is no firm requirement in the proposal. It's not been committed to in the proposal, it's not calculated into the cost, and it's not in the terms of the DOE demonstration project – there is no DOE funding on this project. The Harvard 3 Party Covenant Report[9] authors admit that this demonstration phase is not the place for CO2 capture and storage, because the purpose of this scheme is to get IGCC off the ground:

> [E]xperts agree that extensive research and large-scale demonstration projects are needed on sequestration before a commercial IGCC or other coal power plant would be in a position to sequester its CO2. Sequestration is not specifically addressed in this paper because it is viewed by the authors as beyond the scope of commercialization of a small initial fleet of IGCC plants, which is the objective of the 3Party Covenant proposal.

Harvard Report, Id. Another fundamental report regards capture and storage as off in the future, not yet realized – their estimates of "sequestration costs include compression and piping only up to the plant gate."[10] The authors note that carbon capture and storage to the "fence line" is the state of practice at this time, and when faced with choosing implementation of capture and storage or choosing trading credits, "[i]n all cases, the model chose allowances as the more economic outcome.[11] The loss of efficiency and increase in capital cost have proven CO2

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[7] Comparison of Nitrogen Oxides, Sulfur Dioxide, Particulate Matter, Mercury and Carbon Dioxide Emissions for IGCC and Other Electricity Generation, Minnesota Pollution Control Agency, MPUC Docket E-6472/M-05-1993. MPCA Emissions Comparison; MPCA Response to Comments on its Report, MPUC Docket E-6472/M-05-1993. MPCA - Final

[8] The Price of Pollution: Cost Estimates of Environment-Related Childhood Disease in Minnesota, MCEA/IATP (July 2006) http://www.mncoalgasplant.com/puc/anderson%20exhibit%202%20price%20of%20pollution.pdf ; *Environmental Pollutants and Disease in American Children: Estimates of Morbidity, Mortality, and Costs for Lead Poisoning, Asthma, Cancer and Developmental Disabilities*, Environmental Health Perspectives 110(7); 721-728 (2002) http://www.ehponline.org/docs/2002/110p721-728landrigan/abstract.html; *Economic Costs of Diseases and Disabilities Attributable to Environmental Contaminants*, Davies & Hauge, Collaborative on Health and Environment – Washington Research and Information Working Group (July, 2005) http://washington.chenw.org/pdfs/EnvironmentalCosts.pdf

[9] Deploying IGCC in this Decade with 3 Party Covenant Financing, p. 6, Rosenberg, Alpern & Walker, Harvard Business School (2004); online at http://bcsia.ksg.harvard.edu/BCSIA_content/documents/igcc_vol1.pdf .

[10] Coal-Based Integrated Coal Gasification Combined Cycle: Market Penetration Recommendations, p. 12, Booz Allen Hamilton (Sept. 2004).

[11] Id. at 12.

capture and sequestration beyond any economic justification at this time and in the foreseeable future, even in a highly regulated market.[12]

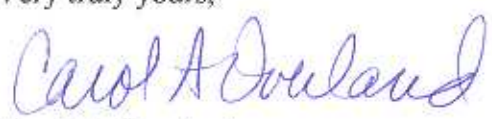
COMMENT ON WIND PROPOSAL

Wind-gas combo is dispatchable – IRP, not RFP, should order wind to cut reliance on coal

While the RFP is impermissibly moving forward without a guiding IRP, mncoalgasplant.com states for the record its request for a generation hierarchy established by the Commission in an IRP, which would also establish a preference for distributed generation – that any generation be dispersed in smaller increments. DSM, which is least cost by any measure, should receive the highest priority, then wind and solar combined with gas to assure dispatchability by running gas only when needed and wind isn't blowing. Renewables should be narrowly defined to exclude the burning of garbage, tires, and other "fuels" with toxic emissions. The hierarchy should further direct that the state must not advance any coal or nuclear proposal. Ultimately, the IRP should show a need for establishing wind generation, dispatchable by combining with gas in a way that utilizes transmission infrastructure and transmission reservations.

Thank you for this opportunity to file comments.

Very truly yours,



Carol A. Overland
Attorney for mncoalgasplant.com – Intervenor in Excelsior Energy's Mesaba Project docket at MN-PUC (05-1993)

Enclosure – Exhibit List (clickable electronic links)

cc: Service List via email

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[12] Feasibility Study for an Integrated Gasification Combined Cycle facility at a Texas Site, Electric Power Research Institute (2006); The Economics of CO2 Storage, Heddle, Herzog & Klett (August 2003); Environmental Footprints and Costs of coal-Based Integrated Gasification Combined Cycle and Pulverized Coal Technologies, EPA (July 2006); Carbon Dioxide Capture and Geologic Storage, Global Energy Technology Strategy Program (April 2006); *Climate VISION Risk Framework for Advanced Clean Coal Plants Risks & Challenges*, Berg, DOW Policy Office, Presentation to Roundtable on Deploying Advanced Clean Coal Plants, July 29, 2004, The Challenges of Integration, Geosits and Schmoe, Bechtel Corporation, Proceedings of GT2007, ASME Turbo Expo 2005.

EXHIBIT LIST

Integrated Resource Planning

MINNESOTA UTILITY RESOURCE PLANNING PROCESS

7843.0100	Definitions.
7843.0200	Purpose and scope.
7843.0300	Filing requirements and procedures.
7843.0400	Contents of resource plan filings.
7843.0500	Commission review of resource plans.
7843.0600	Relationship to other commission processes.

Latest Minnesota IRP Docket: E002/RP-04-1752
Available on line at www.puc.state.mn.us, go to "eDockets" and to Search Documents and search for Docket 04-1752.

Emissions

Comparison of Nitrogen Oxides, Sulfur Dioxide, Particulate Matter, Mercury and Carbon Dioxide Emissions for IGCC and Other Electricity Generation, Minnesota Pollution Control Agency, MPUC Docket E-6472/M-05-1993. To review docket, follow directions above, instead searching for 05-1993.
MPCA Emissions Comparison

MPCA Response to Comments on its Report, MPUC Docket E-6472/M-05-1993.
MPCA - Final

The Price of Pollution: Cost Estimates of Environment-Related Childhood Disease in Minnesota, MCEA/IATP (July 2006)
http://www.mncoalgasplant.com/puc/anderson%20exhibit%202%20price%20of%20pollution.pdf

Environmental Pollutants and Disease in American Children: Estimates of Morbidity, Mortality, and Costs for Lead Poisoning, Asthma, Cancer and Developmental Disabilities, Environmental Health Perspectives 110(7); 721-728 (2002)
http://www.ehponline.org/docs/2002/110p721-728landrigan/abstract.html

Economic Costs of Diseases and Disabilities Attributable to Environmental Contaminants, Davies & Hauge, Collaborative on Health and Environment – Washington Research and Information Working Group (July, 2005)
http://washington.chenw.org/pdfs/EnvironmentalCosts.pdf

PROJECT INFORMATION & COSTS

Feasibility Study for an Integrated Gasification Combined Cycle Facility at a Texas Site, EPRI, October, 2006.
http://my.epri.com/portal/server.pt?space=CommunityPage&cached=true&parentname=ObjMgr&parentid=2&control=SetCommunity&CommunityID=221&PageIDqueryComId=0

Supplement to the Draft Environmental Impact Statement for the Gilberton Coal-to-Clean Fuels and Power Project, DOE EIS-0357D-S1 (December 2006)
http://legalectric.org/f/2007/01/supplementdeis-doe-pennsylvania.pdf